

THE OFFICE OF REGULATORY STAFF

REBUTTAL TESTIMONY

OF

GARY C. JONES, P.E.

OCTOBER 24, 2018



DOCKET NOS. 2017-207-E;
2017-305-E and 2017-370-E

Request of the Office of Regulatory Staff for Rate
Relief to South Carolina Electric & Gas Company's
Rates Pursuant to S.C. Code Ann. § 58-27-920

REBUTTAL TESTIMONY OF

GARY C. JONES, P.E.

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NOS. 2017-207-E; 2017-305-E AND 2017-370-E

IN RE: REQUEST OF THE OFFICE OF REGULATORY STAFF FOR RATE

RELIEF TO SOUTH CAROLINA ELECTRIC & GAS COMPANY'S RATES

PURSUANT TO S.C. CODE ANN. § 58-27-920

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Gary C. Jones, P.E. I am President of Jones Partners, Ltd., a private consulting engineering firm in the electrical power generation field. My business address is 1555 North Astor Street, Apt. 22W, Chicago, Illinois, 60610-5765.

Q. DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY AND EXHIBITS IN DOCKET NO. 2017-370-E?

A. Yes. On behalf of the South Carolina Office of Regulatory Staff ("ORS"), I submitted direct testimony and exhibits in Docket No. 2017-370-E which has been consolidated for hearing purposes with Docket No. 2017-305-E. My direct testimony and exhibits filed in Docket No. 2017-370-E addresses many of the issues raised by South Carolina Electric & Gas Company ("SCE&G" or "Company") witnesses in this docket.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY FILED IN DOCKET NO. 2017-370-E?

1 **A.** The primary purpose of my testimony is to address the prudence of the costs
2 incurred by SCE&G during the construction of V.C. Summer Nuclear Units 2 & 3 (“the
3 Project”) until the time the abandonment decision was made on July 31, 2017. Based upon
4 my experience in monitoring the Project and after my review of the documents made
5 available during discovery, I have concluded that Project costs incurred after March 12,
6 2015 (the date of the filing by SCE&G in Docket No. 2015-103-E) were imprudent and
7 should be disallowed by the Public Service Commission of South Carolina (“PSC”) as a
8 basis for recovery due to abandonment by SCE&G in this petition.

9 In addition, the revised rates increases granted under Order Nos. 2015-712 and
10 2016-758 associated with these imprudent cost increases and schedule changes should be
11 immediately rolled back and the collections by SCE&G should not only stop but the
12 amounts already collected for these revised rates increases should also be refunded or
13 credited to the retail customers as soon as possible.

14 SCE&G’s actions to withhold this additional information identified during
15 discovery resulted in the approval of revised Project construction schedules and budget
16 increases that would likely not have been approved had this information been properly
17 disclosed and evaluated by the PSC and ORS. This means that “the evidence of record”
18 required by the statute to be provided by SCE&G was incomplete, omitted and misleading,
19 and SCE&G used deception and withheld material information to obtain PSC approval of
20 erroneous schedules and cost estimates.

21 In addition, I will address the following related areas:

- 22 a) The prudence of the SCE&G decision to abandon the Project;
23 b) The prudence of SCE&G’s decision to monetize the Toshiba settlement in
24 lieu of accepting the originally proposed long-term payout;
25 c) The associated transmission system costs;

- 1 d) The transfers of certain originally shared facilities and assets to V.C.
2 Summer Unit 1; and
3 e) Whether SCE&G properly managed the Project.

4 **Q. DO YOU HAVE ANY CHANGES TO YOUR DIRECT TESTIMONY PRE-FILED**
5 **IN DOCKET NO. 2017-370-E AFTER REVIEW OF THE DIRECT TESTIMONY**
6 **FILED BY SCE&G IN DOCKET NO. 2017-305-E?**

7 **A.** No. After my review of the direct testimony filed by SCE&G witnesses, the
8 conclusions and recommendations remain unchanged as presented in my pre-filed direct
9 testimony in Docket No. 2017-370-E and are also applicable in Docket No. 2017-305-E. I
10 am hereby adopting by reference in Docket No. 2017-305-E the testimony and exhibits
11 which I have previously pre-filed in Docket No. 2017-370-E.

12 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
13 **BECOMES AVAILABLE?**

14 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
15 testimony should new information become available to ORS not previously provided by
16 the Company, or from pending state and federal investigations and lawsuits.

17 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 **A.** Yes, it does.